

Stephens County Educational Facilities Authority

Annual Financial Statements
And Accompanying
Independent Auditor's Reports

For The Fiscal Year Ended
June 30, 2023

Stephens County Educational Facilities Authority
Duncan, Oklahoma
Year Ended June 30, 2023

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Independent Auditor's Report

To the Board of Trustees
Stephens County Educational Facilities Authority
Duncan, Oklahoma

Opinion

We have audited the accompanying financial statements of the Stephens County Educational Facilities Authority, special revenue fund, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Stephens County Educational Facilities Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stephens County Educational Facilities Authority as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Stephens County Educational Facilities Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stephens County Educational Facilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stephens County Educational Facilities Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stephens County Educational Facilities Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management discussion and analysis along with the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control of financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Criswell CPA, PLLC

Criswell CPA, PLLC
Duncan, OK
March 15, 2024

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

Financial Statements

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

**Statement of Net Position
June 30, 2023**

Assets

Current Assets

Restricted Cash and Cash Equivalents	25,651,827	
Lease Purchase Receivable, Current Portion	3,000,000	
Accrued Interest Receivable	264,955	
Total Current Assets		28,916,782

Noncurrent Assets

Lease Purchase Receivable, net of Current Portion	36,520,000	
Improvements to Facilities	26,537,574	
Total Noncurrent Assets		63,057,574

Total Assets		\$ 91,974,356
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Liabilities

Current Liabilities

Accrued Interest Payable	591,136	
Bonds Payable, Current Portion	3,000,000	
Total Current Liabilities		3,591,136

Long-Term Liabilities

Bonds Payable, Long-Term Portion	36,520,000	
Total Long-Term Liabilities		36,520,000

Deferred Inflows of Resources

Deferred Lease Purchase	51,430,209	
Total Deferred Inflows of Resources		51,430,209

Net Position

Invested In Capital Assets, Net of Related Debt	(12,982,426)	
Restricted	13,415,437	
Total Net Position		433,011

Total Net Position		\$ 91,974,356
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The accompanying notes are an integral part of the financial statements.

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

**Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023**

Operating Revenues		
Rental Income	\$ 7,500	
Total Operating Revenues		7,500
Operating Expenses		
Administrative Fees	19,425	
Trustee Fees	17,125	
Total Operating Expenses		36,550
Net Income (Loss) from Operations		(29,050)
Non-Operating Revenue (Expense)		
Investment Earnings	1,727,667	
Interest Expense	(1,504,335)	
Total Non-Operating Revenue (Expense)		223,332
Net Income (Loss)		194,282
Net Position, Beginning of Year		238,730
Net Position, End of Year		\$ 433,011

The accompanying notes are an integral part of the financial statements.

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

**Statement of Cash Flows
For the Year Ended June 30, 2023**

Cash Flows from Operating Activities		
Rental Payments Received	\$ 7,500	
Administrative and Trustee and Fees Paid	<u>(36,550)</u>	
Net Cash Provided by Operating Activities		(29,050)
Cash Flows from Investing Activities		
Interest Received from Investments	<u>1,462,712</u>	
Net Cash Provided by Investing Activities		1,462,712
Cash Flows from Capital and Related Financing Activities		
Lease Purchase Payments from Schools	2,855,000	
Debt Service on Bonds Payable, Principal	(2,885,000)	
Debt service on Bonds Payable, Interest	(1,167,435)	
Purchase of Capital Assets - Construction in Progress	<u>(10,257,155)</u>	
Net Cash Used by Financing and Capital Activities		<u>(11,454,590)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(10,020,928)
Cash and Cash Equivalents at Beginning of Year		<u>35,672,755</u>
Cash and Cash Equivalents at End of Year		<u>\$ 25,651,827</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Net Income (Loss) from Operations	<u>\$ (29,050)</u>	
Net Cash Provided by Operating Activities		<u>\$ (29,050)</u>
Supplemental Disclosures of Cash Flow:		
Cash Payments for Interest		<u>\$ 1,167,435</u>

The accompanying notes are an integral part of the financial statements.

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 1 – Organization and Summary of Significant Accounting Policies

Reporting Entity

The Stephens County Educational Facilities Authority (the Authority) was established as a trust for the use and benefit of the Beneficiary for the public purposes hereinafter set forth, under the provisions of Title 60, Oklahoma Statutes 2001, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Authority is to assist the beneficiary in making the most efficient use of all their economic resources and powers to lessen the burden on government and to stimulate educational growth and development; promote the educational wellbeing of the Beneficiary by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment. The Authority is to conduct all business related to providing the necessary educational facilities and/or services; to plan, establish, develop, construct, finance, enlarge, remodel, acquire, improve, make alterations, extend, maintain, equip, operate, lease, furnish and regulate any facilities related to any of the foregoing, and if desired, to lease such facilities and to operate the same in connection therewith, and to do, perform, own, acquire, construct or engage in or finance any other enterprise or activity, project or facility to such extent and in such manner as now is or may be considered a proper and lawful function of public trust entities within the State of Oklahoma. The Authority began operation on April 16, 2012.

Basis of Accounting

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements. Accordingly, the Authority is exempt from federal and state income taxes.

The Authority's operations are considered proprietary in nature and therefore the Authority has adopted a reporting framework similar to that of proprietary type funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's enterprise fund is rental income from the school districts. Operating expenses include trustee fees and administrative fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. GAAP for proprietary fund types are generally those applicable to similar businesses in the private sector; the measurement focus is on the determination of net income, financial position, and cash flows.

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

(Organization and Summary of Significant Accounting Policies – Continued)

All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business, including fixed assets and debt, are accounted for in a single proprietary fund rather than a series of funds and account groups.

Cash and Cash Equivalents

Holdings of highly liquid investments, excluding restricted assets, with original maturities of three months or less are considered cash equivalents.

Fair Value of Financial Instruments

The Authority's financial statements include cash and short-term investments. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments. Accordingly, the Authority's fair value estimates do not differ materially from the carrying values reflected in the financial statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indentures require that funds be held in a bond fund which is comprised of the repair and replacement fund, reserve account, interest account, principal account, revenue account and cash management account. Under the terms and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

Capital Assets

Capital assets consist of Improvements to Facilities and will remain a non-depreciable asset until the lease obligation is fulfilled and title is transferred to the lessee.

Accrued Interest Payable

Interest payments on the Central and Marlow school bonds are due semi-annually on March 1st and September 1st each year until maturity. Interest payable is accrued from March 1st to June 30th on those bonds.

Interest payments on Duncan school bonds are due annually on October 1st. Interest payable is accrued from October 1st to June 30th on Duncan bonds.

Long-Term Obligations

Long-term debt is reflected as a liability on the Authority's Statement of Net Position. Debt issuance costs are expensed in the period they are incurred.

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

(Organization and Summary of Significant Accounting Policies – Continued)

Deferred Lease Purchase

The Authority entered into lease agreements with Central High Public Schools, Marlow Public Schools, and Duncan Public Schools. The bond proceeds were used for new construction or improvements to the lessee's facilities. These assets are being sold to the lessees through a lease agreement.

Equity Classifications

Equity is classified as Net Position and is displayed in three components:

- a) Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net position: Consists of net assets with constraints placed on the use either by
1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position: All net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Restricted Cash and Investments

The Authority had the following restricted cash and investment accounts, which are temporarily invested in federal obligations; consequently, no collateral pledge is required:

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

(Restricted Cash and Investments – Continued)

CHPS 2012 Debt Service	\$	8,536
CHPS 2012 Rebate		3,244
MPS 2012 Debt Service		14,913
MPS 2012 Rebate		2,988
DPS 2020 Escrow Payment		2,568
DPS 2020 Escrow Project		5,273,443
DPS 2021 Escrow Project		2,973,402
DPS 2021 Escrow Rental		952
MPS 2022 Debt Service		2,342,930
MPS 2022 Improvement		15,025,243
Marlow 2022 PS LRB Work Cap		3,608
Total		\$ 25,651,826

Investment Interest Rate Risk: The Authority does not have a formal investment policy that limits investment maturities as a means of management its exposure to fair value losses arising from increasing interest rates.

Investment credit Risk: The Authority has no policy that limits its investment choices.

Concentration of Investment Credit Risk: The Authority places no limit on the amount it may invest in any one issuer.

Note 3 – Capital Assets

The school construction costs are accumulated in a fixed asset account labeled “Improvements to Facilities” and will remain a non-depreciable asset until the lease obligation is fulfilled and title is transferred to the schools. The Authority will provide for the acquisition, construction, equipping, renovating, and remodeling of school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites of Central High School District, Marlow School District, and Duncan School District.

Changes to capital assets are as follows:

	Balance <u>Beginning of Year</u>	Additions	Disposals	Balance <u>End of Year</u>
Duncan School District	\$ 2,353,222	\$ 4,476,898	\$ -	\$ 6,830,120
Central High School District	3,819,442	-	-	3,819,442
Marlow School District	10,107,755	5,780,257	-	15,888,012
Total Net Fixed Assets	\$ 16,280,419	\$ 10,257,155	\$ -	\$ 26,537,574

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

Note 4 – Long Term Debt

On June 6, 2012, the Authority issued its Series 2012 Lease Revenue Bonds in the amount of \$4,145,000, for the purpose of financing school construction projects at Central High School District. The bonds are paid annually in various principal amounts over the period of September 1, 2013, through September 1, 2024. The interest rate on the individual bonds is 2.50 to 4.00 per cent per annum. The bonds were sold at a discount of \$52,088.

Year Ending June 30	Principal	Interest	Total
2024	500,000	16,688	516,688
2025	195,000	3,656	198,656
Total	\$ 695,000	\$ 20,344	\$ 715,344

On June 26, 2012, the Authority issued its Series 2012 Lease Revenue Bonds in the amount of \$10,495,000, for the purpose of financing school construction projects at Marlow School District. The bonds are paid annually in various principal amounts over the period of September 1, 2013, through September 1, 2024. The interest rate on the individual bonds is 2.00 to 4.00 per cent per annum. The bonds were sold at a premium of \$315,667.

Year Ending June 30	Principal	Interest	Total
2024	1,040,000	80,100	1,120,100
2025	2,150,000	32,250	2,182,250
Total	\$ 3,190,000	\$ 112,350	\$ 3,302,350

On December 15, 2020, the Authority issued its Series 2020 Lease Revenue Bonds in the amount of \$11,280,000, for the purpose of financing school construction projects at Duncan School District. The bonds are paid annually in various principal amounts over the period of October 1, 2021, through October 1, 2030. The interest rate on the individual bonds is 2.00 to 4.00 per cent per annum.

Year Ending June 30	Principal	Interest	Total
2024	1,065,000	197,263	1,262,263
2025	1,090,000	174,365	1,264,365
2026	1,110,000	150,930	1,260,930
2027	1,140,000	127,065	1,267,065
2028	1,165,000	102,555	1,267,555
2029 +	3,605,000	155,230	3,760,230
Total	\$ 9,175,000	\$ 907,408	\$ 10,082,408

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

(Long Term Debt – Continued)

On December 1, 2021, the Authority issued its Series 2021A Lease Revenue Bonds in the amount of \$3,750,000, for the purpose of financing school construction projects at Duncan School District. The bonds are paid annually in various principal amounts over the period of October 1, 2022, through October 1, 2030. The interest rate on individual bonds is 1.42 per cent per annum.

Year Ending June 30	Principal	Interest	Total
2024	395,000	47,641	442,641
2025	405,000	42,032	447,032
2026	405,000	36,281	441,281
2027	415,000	30,530	445,530
2028	425,000	24,637	449,637
2029 +	1,310,000	37,559	1,347,559
Total	<u>\$ 3,355,000</u>	<u>\$ 218,680</u>	<u>\$ 3,573,680</u>

On June 1, 2022, the Authority issued its Series 2022 Lease Revenue Bonds in the amount of \$23,105,000, for the purpose of financing school construction projects at Marlow School District. The bonds are paid annually in various principal amounts over the period of September 1, 2025, through September 1, 2040. The interest rate on the individual bonds is 4.25 to 5.00 per cent per annum. The bonds were sold at a premium of \$900,639.

Year Ending June 30	Principal	Interest	Total
2024	-	1,100,613	1,100,613
2025	-	1,100,613	1,100,613
2026	1,210,000	1,070,363	2,280,363
2027	210,000	1,034,863	1,244,863
2028	1,310,000	996,863	2,306,863
2029 +	20,375,000	7,249,031	27,624,031
Total	<u>\$ 23,105,000</u>	<u>\$ 12,552,344</u>	<u>\$ 35,657,344</u>

Note 5 – Changes in Long Term Debt

Changes in long term debt during the year were as follows:

**Stephens County Educational Facilities Authority
Duncan, Oklahoma**

(Changes in Long Term Debt – Continued)

	Balance Beginning of Year	Proceeds	Payments	Balance End of Year	Due within One Year
Series 12 - CHPS	\$ 1,155,000	\$ -	\$ 460,000	\$ 695,000	\$ 500,000
Series 12 - MPS	4,180,000	-	990,000	3,190,000	1,040,000
Series 20 - DPS	10,215,000	-	1,040,000	9,175,000	1,065,000
Series 21A - DPS	3,750,000	-	395,000	3,355,000	395,000
Series 22 - MPS	23,105,000	-	-	23,105,000	-
Total Bonds Payable	<u>\$42,405,000</u>	<u>\$ -</u>	<u>\$ 2,885,000</u>	<u>\$39,520,000</u>	<u>\$3,000,000</u>

Note 6 – Lease Purchase Agreement (Sub Lease) and Economic Dependence

The Authority has commitments with the school districts to lease the additions and improvements to the school buildings. The Authority receives semi-annual rental revenues of \$7,500 pursuant to the rental agreements with Central High Public Schools and Marlow Public Schools. The amount represents 100% of the authority's total operating revenues.

Note 7 – Capital Lease Agreement (Ground Lease)

The Authority entered into an agreement to lease the school facilities. Such agreements are, in substance, purchase (capital leases) and are reported as capital lease obligations.

Year Ending June 30	Central High Public Schools	Marlow Public Schools	Duncan Public Schools	Total
2024	500,000	1,040,000	1,460,000	3,000,000
2025	195,000	2,150,000	1,495,000	3,840,000
2026	-	1,210,000	1,515,000	2,725,000
2027	-	210,000	1,555,000	1,765,000
2028	-	1,310,000	1,590,000	2,900,000
2029 +	-	20,375,000	4,915,000	25,290,000
	<u>\$ 695,000</u>	<u>\$ 26,295,000</u>	<u>\$ 12,530,000</u>	<u>\$ 39,520,000</u>

Upon fulfilling the lease obligation, the Authority agrees to execute and deliver to the school districts a deed or bill of sale, as appropriate, to convey legal title to the school facilities. The following lease end dates apply to each district: Central High – September 1, 2024, Duncan – October 1, 2030. Marlow – September 1, 2040.

Note 8 – Subsequent Events

Subsequent events were evaluated through March 15, 2024, which is the date the financial statements were available to be issued.



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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement s Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Stephens County Industrial Authority
Frederick, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Stephens County Industrial Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report there on dated March 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Criswell CPA, PLLC

Criswell CPA, PLLC
Duncan, OK
March 15, 2024